

REPORT ON TRAINING COURSES PROVIDED
ON APPLIED SOCIAL BENEFIT COST ANALYSIS

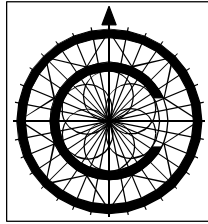
ALBANIA PRIVATE FORESTRY DEVELOPMENT PROGRAM

Contract No. EPE-C-00-95-00127-00

Submitted to:
U.S. Agency for International Development

Submitted by:
Chemonics International Inc.
Tropical Research and Development, Inc.

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CHEMONICS

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by:
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OVERVIEW OF THE CURRENT STATUS OF FORESTRY REFORM AND THE TRAINING ACTIVITY

As the Government of Albania moves to a market economy, and an increasing amount of forestry activities are managed outside of the forest service, the need for socioeconomic analysis has grown. In the past, the state owned virtually all afforested areas, and the district forest directorates controlled forestry operations. Now that the government is relinquishing some of its control of the forest economy—providing for initiatives by private entities and decentralization of forest and pasture management to villages and komunas—socioeconomic analysis is essential to better understand and address the different kinds of needs and priorities that will increasingly drive this economy.

In addition, socioeconomic analysis is needed to provide for decision making that considers broad criteria. In the past, decision making focused narrowly on technical criteria. This has in part been due to the forest sector's university-trained foresters having a high degree of specialization in forest sciences, but little exposure to economics beyond the financial and statistical aspects of forest production. Decisions on how to manage forest resources have been based on maximizing production to meet overall needs of the state-controlled economy, with little consideration given to individuals' product and time preferences.

Recent Events

The Government of Albania has now sanctioned the transfer of approximately 200,000 hectares of state-owned forest to local communities for decentralized management. Before 1945, and even later in a number of cases, there had been a strong tradition of communities sustainably managing their adjacent forests. Traditional codes of law such as the "Code of Leke Dukanjini" contain detailed provisions on how the community should determine and enforce a system for use of forests and other resources. However, many government officials are wary of whether communities now receiving state forests will manage them responsibly; at the same time officials realize that government simply lacks the resources to effectively manage forests on its own, as has become obvious with the degradation of forests over the past several years. Although key reasons for the unsustainable use of forest resources are the economic collapse of 1989-90, tenure issues and the weakness of local government, an additional reason is a lack of appropriate economic incentives.

Another major forestry sector measure of the Government of Albania is enactment of policies to return forest land to pre-1945 owners (up to 100 hectares per owner or owner's inheritors). The government is also considering the possibility of leasehold forestry. During the Communist regime, the government operated both timber production and secondary forest industries (producing resin, medicinal plants, willows for wicker furniture, etc.). It now permits private companies to harvest timber and sell it by auction; however, over the last several years timber production has fallen by about two-thirds, due to lack of private capital to establish competitive operations and to ban on log exports.

After the Transition, most secondary forest industries broke down, as the government withdrew support and the industries lacked the market systems to sustain them. However, one exception to this decline was production of medicinal plants and herbs, which did well primarily due to the large investment (and market control) of the French firm Albducros. Some small-scale forestry-related industries, for example, wicker furniture production, are appearing. Unfortunately credit is not available to such secondary forestry industries, and market information is inadequate.

The Open Market Economy in Albania

The open market economy is just in its formative stages. To guide a healthy development of this economy, government needs to assess professionally the overall economic opportunities. Underlying the issues of decentralization and privatization of forest resources are important questions such as:

- Which endeavors are most benefit:cost effective for the economy, considering market as well as non-market factors?
- How does the unusually high preference for immediate returns affect benefits:costs?
- How do the pervasive “market failures” in the economy affect current activities, and which of them should government accord high priority for rectifying?
- How does the choice of various investment options affect economic “equity”?

At the moment, policy makers do not give much consideration to such questions, largely because their major education and experience came under a regime that abjured “Western-style” market economics.

Some donor programs are providing university education abroad for young students in economics. However, for government to expedite its open market goals of decentralization and privatization, two steps are necessary:

- Training needs to be provided to officials who are now in a position to decide on resource allocation and economic incentives. These officials do not need to be experts on neoclassical economics. However, they do need to understand basic concepts in economic decision making, and to acquire an appreciation for social benefit cost analysis as a tool in determining allocation of resources.
- Faculty at the Agricultural University of Tirana (AUT) need to acquire the expertise to offer course work and guide research for a broad audience of students in-country. Currently economic expertise is largely provided by a few individuals trained abroad.

The Social Benefit Cost Analysis Training Activity

In November-December 1997, the Albania Private Forestry Development Program arranged for a specialist in applied social benefit cost analysis to advocate the use of socioeconomic data, and train government decision makers and AUT faculty.

Objectives. The specialist was to meet three primary objectives:

1. Provide a re-run of the university-level course held November-December 1997 on applied social benefit cost analysis in Albania, with a standard 45 hours of course contact plus office hours to assist course participants
2. Mount a new course for AUT economics faculty, developing their skills to mount courses on applied economic analysis at the university and guide research on the subject
3. Write a report recommending next steps, both for further course presentations on social benefit cost analysis and for professional development of government officials and AUT faculty

Outcome. The specialist prepared and taught two 2-week courses, with background course materials translated into Albanian and a professional interpreter translating into Albanian classroom lectures and tutorial sessions. “Agricultural Project Analysis,” a university-level course, was presented June 1-12, 1998, to professionals from the Ministry of Agriculture and Forestry. “Social Benefit Cost Analysis,” a graduate-level course, was presented June 15-26, 1998, to faculty and students from AUT. In each course, the specialist helped participants conduct, write and present case studies using project analysis techniques in evaluating agricultural projects of their interests and needs.

An in-depth evaluation of each of the two courses was conducted; the responses were extremely positive. An overwhelming majority of participants perceived all course activities—including lectures, large group discussions, small group work, sharing of department issues, and individual consultations—to be very useful. Further, most participants stated that the courses should be given to more professionals for a longer period. Summaries of the evaluation results are available in both English and Albanian.

University assistance. The specialist assisted a faculty member prepare a syllabus for teaching a similar course at AUT in the near future. Further, he held discussions with key leaders—Roger Kraynick of the Support for Agriculture Restructuring in Albania project, Mihallaq Kotro, dean of the AUT College of Forestry Sciences, and Adrian Civici, dean of the AUT College of Agricultural Sciences—on future agricultural economics activities for the two colleges.

Recommendations for Future Activities

- Given the size and qualifications of the Agricultural Economics faculty at AUT, they are well positioned to introduce a graduate-level program in agricultural economics and business. However, they will need to collaborate with a U.S. or West European University, as they do not have graduate-level textbooks available. The first priority should be to write a detailed proposal for starting a collaborative graduate program in agricultural economics and business.
- The faculty in Forestry Sciences lacks even rudimentary knowledge of market economics and, according to their dean, need to be systematically exposed to market economics through intensive courses. It is strongly recommended that at least one more two-week intensive program be conducted exclusively for this faculty. The course should be conducted collaboratively with agricultural economists associated with AUT. This program could be conducted in November-December of 1998.
- It is strongly recommended that the translation of *Agricultural Project Analysis* by Price Gittinger and *Social Benefit Cost Analysis* by Sassone and Schaffer be completed and that these textbooks be made available to faculty and students.